

the circulation beyond the limit imposed by the gold in hand, they have quietly brought the gold from London to Edinburgh and kept it locked up in the vaults of the bank until the necessity for it was at an end. The amount of gold kept in the Scotch banks prior to the legislation of 1845 was but a small percentage of their obligations, but was large enough to maintain their solvency and supply the yellow metal when demanded for export or other special uses. The specie holdings for the four weeks ending January 3, 1846, just after the act took effect, were only £406, or less than half a pound sterling per capita, against a circulation of £3,336,409. The specie had increased for the four weeks ending March 5, 1864, to £2,337,459 against a circulation of £3,996,743 ; and for the four weeks ending October 5, 1895, to £5,521,437 against a circulation of £7,054,197, at which amount it has substantially remained.

III. The use of small notes has also been of enormous advantage to the people of Scotland, and has produced none of the dangerous results to the stability of the currency which have sometimes been predicted in other countries when small notes have been proposed. The benefits of issuing notes for £1 were fully set forth in the testimony before the committees of the two houses of Parliament in 1826. Mr. Robert Paul, the Secretary to the Commercial Bank, summed up some of the evils of abolishing small notes by declaring that it would require the reduction of the number of branches, because of the increased expense in the transmission of gold; the withdrawal of cash accounts, because they would no longer accomplish the end for which they were granted,—the maintenance of the small note circulation and the profits derived from it by the banks; and the reduction of the rate of interest paid on deposits, because it would be necessary to keep a very large stock of gold and to keep it wholly unproductive.

A letter written by an agent of the Renfrewshire Bank at Greenock to the manager, Mr. Roger Aytoun, set forth in an even more striking manner the absolute paralysis which would fall upon many transactions by the adoption of a gold